with the simple and time-proven formula method, which is now the norm between the States. In my judgment, this interpretation by the Treasury Department is wrong-headed and is ill-advised.

I believe that the Federal Government is losing billions of dollars in revenues because the IRS uses the so-called arm's-length method to enforce our corporate tax laws. In my judgment, this IRS enforcement tool is unworkable and results in massive tax avoidance by international firms operating here. It keeps our tax officials in the Dark Ages as they work to ensure that multinational firms doing business here pay their fair share of U.S. taxes.

There is evidence to suggest a massive hemorrhaging of tax revenues because of transfer pricing abuses and because of the flawed arm's-length pricing method employed by the IRS. The General Accounting Office [GAO] has reported that more than 73 percent of the foreign firms doing business in this country pay no U.S. taxes, despite generating hundreds of billions of dollars in revenues every year.

There are also several independent studies of the problem that estimate U.S. revenue losses ranging from $2 billion to $40 billion a year. I happen to think that this country is losing between $10 and $15 billion in revenues from foreign-based firms alone. But I recognize that there hasn't been a comprehensive and official government study that attempts to pinpoint the true size of the U.S. tax gap caused by transfer pricing abuses and to map out the best approach to plug the gap.

I have in recent days been working with Treasury officials on this matter. In response to my request, Treasury Department has now agreed to formally conduct a joint conference and study with the State governments to evaluate the U.S. tax revenues lost due to transfer pricing abuses, especially from foreign firms doing business in the United States. In addition, this initiative will examine the issue of implementing a Federal formulary apportionment system to enforce our international tax laws.

This joint Treasury/State initiative will, I hope, finally answer the questions of how much money we are now losing from transfer pricing abuses, and how we can take steps to prevent it.

COSPONSORSHIP OF S. 1120, AS AMENDED

Mr. DOMENICI. Mr. President, I ask that my name be added as a cosponsor to S. 1120, the Work Opportunity Act of 1995. I want to congratulate the distinguished Republican leader and his chief of staff for all the hard work and effort they have devoted to producing a welfare reform bill this year.

Many years ago a distinguished professor wrote a book entitled: ''Why Welfare is so Hard to Reform.'' That was nearly 25 years ago. Reforming our welfare system has not gotten any easier over that time period as the Republican leader has surely discovered.

Let me be clear, I know that there are issues that still have not been fully resolved in Leader DOLE's bill. I continue to be concerned about some of those issues and during the upcoming recess I will meet with New Mexicans who have, like I, concerns about child care and other provisions in the bill. I reserve the right to recommend further changes to the bill and offer amendments to it when we begin consideration in September.

But I support the major principles embodied in the leader's proposal and therefore am pleased to cosponsor the legislation today. I support first and foremost the principle that we must break the cycle of dependency in our current welfare system, and we should strive to help those who are trapped in this system break the bonds of dependency.

I support the principle that States should be provided flexibility in designing programs that best serve needy individuals and families in their individual States.

I support the principle that those who receive assistance should seek work and that employment of welfare recipients should increase significantly from the low levels that now exist in many States. I support the principle that States should be allowed to terminate benefits when those who are required to work—refuse work.

I support the principle that single parents with young children should not be penalized if they are unable to find work and particularly if affordable child care services are not available to them. I support the principle that individuals seeking to better their lives through vocational education and training should be encouraged in their vocation in order to avoid dependency later in their lives.

I support the principle that the Federal Food Stamp Program and School Lunch Program should continue as Federal entitlement programs so as to provide a basic nutrition safety net to all low-income families and their children.

Finally, I believe that we can reform our welfare system based on these principles, protect those most in need of assistance, and at the same time do this while achieving some savings to hard-pressed State and Federal budgets. The Dole bill does all these things and at the same time begins a down payment on the Federal deficit. A Federal deficit that is the biggest sign of dependency and the biggest threat to the creation of jobs for all Americans—particularly the poor. We will not turn our backs on those down on their luck, but we will not give a handout when what is needed is a hand-up.

Welfare reform is a contentious issue. What we do here needs to be done carefully, and that is why I have made recommendations to the leader and others to modify S. 1120 in ways that I think will improve it. I may have other recommendations once I meet with people in my State. But for today I congratulate the Republican leader and offer my support to reform the welfare system based on the broad principles encompassed in the Work Opportunity Act of 1995.

SECURITIES LITIGATION REFORM SETTING THE RECORD STRAIGHT

Mr. DOMENICI. Mr. President, in June, we passed S. 240, the Private Securities Litigation Reform Act of 1995 by a 69-to-30 margin. It started out as a Domenici-Dodd bill with 51 cosponsors and then Chairman D'AMATO and the Banking Committee worked hard to improve it. It is a bill supported by Senators with vastly differing political philosophies. Senators KENNEDY, MIKULSKI, HARKIN, HELMS, GRAMM, and LOTT were among the 69 Senators voting for the Senate bill.

Mr. President, I am going to spend time discussing some of the misstatements about this bill, but first I want to tell you that 69 Senators voted for this bill because it is good for our economy and job creation, for our capital markets and all investors.

Mr. President, S. 240 creates a better system for investors 12 ways:

First, S. 240 requires that investors be notified when a lawsuit has been filed so that all investors can decide if they really want to bring a lawsuit. Frivolous shareholder suits hurt companies by diverting resources from productive purposes, and thus, harm shareholders. The shareholder-owners of the company, not some entrepreneurial lawyer, should decide if a lawsuit is necessary. Most investors know that stock volatility is not stock fraud, yet a stock price fluctuation is all that lawyers need to file a case.

Second, the bill puts lawyers and clients on the same side. By changing the economic incentives behind bringing and settling these suits, investors will benefit.

Third, it reforms an oppressive liability so that companies can attract capable board members, and hire the best accountants, underwriters, and other professionals. The two-tier liability system contained in the bill is perhaps the most misunderstood provision of the bill. I will go through the details later in my speech.

Fourth, the bill prohibits special $15,000 to $20,000 bonus payments to named plaintiffs. These side-agreements between lawyers and their professional plaintiffs are unfair to shareholders not afforded the opportunity to act as the pet plaintiff. By prohibiting bonus payments, the bill will put more money in the pockets of all aggrieved investors. It stops brokers from selling investors' names to plaintiffs' lawyers. This practice is at least unethical, and should not be part of our judicial system.